

# LATE TESTIMONY

TESTIMONY OF HERMINA MORITA  
CHAIR, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE  
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

FEBRUARY 8, 2012

**MEASURE:** H.B. No. 2525 H.D. 1

**TITLE:** Relating to Electricity

Chair Herkes and Members of the Committee:

**DESCRIPTION:**

This measure will provide the Commission with explicit authority to develop, adopt, and enforce electric reliability standards and provide grid interconnection oversight for all parties connecting to the Hawaii electric system, including independent power producers. The Commission is also given the discretion to contract for the performance of monitoring, enforcement, and advisory functions related to electric reliability and grid oversight with an entity to be designated the Hawaii Electricity Reliability Administrator ("HERA"). The measure also provides for a surcharge mechanism to fund HERA operations.

**POSITION:**

The Commission strongly supports this measure and would like to offer the following comments for the Committee's consideration, as well a number of proposed amendments the Commission believes will strengthen the current measure.

**COMMENTS:**

The reliability of Hawaii's electric system is a central issue the State must address to achieve the maximum penetration of renewable energy generation on its grid. Currently, Hawaii's electric utilities are tasked with maintaining system reliability, but the rise in requests to connect to the grid with intermittent energy sources, such as solar photovoltaic and wind energy systems of varying size, demands a more formalized and transparent interconnection process to hold all participating entities responsible for

# LATE TESTIMONY

H.B. No. 2525 H.D. 1

Page 2

system reliability. Therefore, electric reliability in Hawaii is dependent on the Commission having the ability to directly oversee, with respect to reliability and interconnection issues, all parties connecting to the Hawaii system, including non-utilities.

Formal electric reliability standards are currently being developed for Hawaii's unique electrical system through the Reliability Standards Working Group ("RSWG") docket, which is a collective effort by government, the local electric industry, and other affected stakeholders to establish protocols for the stable operation of the Hawaii electric system. Standards developed through the RSWG process and adopted by the Commission will need to be enforced by an independent entity having the technical and operational ability to understand the intricate functioning of Hawaii's unique electrical grid systems. This measure would provide the Commission with the necessary means to ensure the resulting reliability standards are properly monitored and enforced by knowledgeable experts in this endeavor.

The Commission supports the surcharge mechanism for HERA operations, as it would ensure the funding of reliability standard monitoring and enforcement, and it would also closely tie the costs of electric system reliability to those benefiting most from interconnection transparency.

Finally, several clarifying amendments have been offered here in the proposed House draft attached to this testimony.

Thank you for the opportunity to testify on this measure.

# LATE TESTIMONY

These ancillary services – those related services that are critical to having proper electricity service besides the basic functions of generation, transmission, and distribution – do not always influence the electrical system through direct interconnection, but they are important enough to the operation of the grids that they ought to be under PUC’s reliability jurisdiction. Thus, this provision gives the PUC authority over ancillary service providers, with respect to interconnection/reliability, once they apply for interconnection OR to provide services in parallel with the Hawaii electric system.

- § 269-D(b), issuance of penalties
  - Changes to § 269-D(b) are meant to clarify the role of the HERA in the penalty and enforcement process. Rather than imply through this statute that HERA will be issuing penalties (this language has been removed), the amended language gives the PUC discretion to make provisions for HERA’s precise functions in the enforcement process (this language has been added).
- Removal of former § 269-F, Contracting of Functions
  - Former section § 269-F was determined to be redundant with other provisions in this measure, so the contracting provisions were just cut out and moved wholesale to the new § 269-G.
- § 269-F(d), qualifying costs described
  - Certain costs are now explicitly authorized under the new §269-F(d) to be recovered under the HI electricity reliability surcharge. Allowable costs **do not** include infrastructure upgrades, since these are already recoverable by the utility under other cost recovery mechanisms.
- Revamp of § 269-G, contracting of HERA
  - Language on the contracting of HERA functions in former § 269-F (now deleted) has been moved to § 269-G(a). See also note on Removal of former § 269-F discussed above.
- § 269-H, qualifications section clarified
  - The new § 269-H has some added qualification language – i.e. a new subsection (a) that gives the PUC flexibility to set the necessary qualifications for HERA by rule or order.

## Sections 3-6:

- No changes made other than the removal of style/form edits made in HD1. This proposed bill follows the form of the original bill.

## Report Title and Description:

- Changes made to conform to the new proposed language in the Report Title and Description page at the end.

H.B. No. 2525 Proposed HD2  
Summary of Proposed Changes  
(2/8/12)

# LATE TESTIMONY

General Note:

- This proposed HD2 removes the style/form amendments made in the existing HD1 and reverts the bill to the original form it was in prior to those HD1 amendments being made. Additional changes are explained in more detail below.

Section 1:

- Generally, these changes, shown in track changes mode, are style/form changes that do not significantly alter the substance of this section. However:
  - A sentence describing a “recent” blackout is removed, because it seemed to be less relevant or timely compared to when the bill was originally drafted.
  - A sentence about a \$750,000 federal award is removed, because the state of the use of that grant is unclear at the current time.

Section 2:

- General notes for Section 2
  - Unless noted otherwise, many changes are simply for clarity or style only.
  - Following the removal of former §269-F, succeeding sections are re-lettered and additional conforming amendments are made throughout Section 2.
  - Recurring changes
    - First, the term “interconnection requirement(s)” was added in several places throughout Section 2 in conjunction with the term “reliability standard(s).” This was done to explicitly state that the PUC has authority over interconnection requirements, as well as reliability standards. The original bill left this authority implicit within §269-B(c), so this makes that ability clearer throughout.
    - Second, the phrase or some form thereof “electric utilities, any user, owner, or operator of the Hawaii electric system, or any other person, business or entity connecting to the Hawaii electric system” is used to generally describe those parties to which portions of this proposed law would apply. The previous phrase was determined to be less clear.
- § 269-A, definitions
  - One minor change shown was added for clarity. The term “ancillary services” should be thought of as the work of facilities or equipment, and not the direct work of an entity. That’s why “entity” was removed.
- § 269-B(c), jurisdiction over ancillary service activities
  - Language was added in order ensure that ancillary service operations/activities are explicitly described as being within the PUC’s jurisdiction for interconnection issues under § 269-B(c).

---

# A BILL FOR AN ACT

---

RELATING TO ELECTRICITY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1       SECTION 1. The legislature finds that the capability and  
2   accessibility of Hawaii's electrical system must be aligned with  
3   both the State's ambitious renewable portfolio standard mandate  
4   and the various technologies that generate electricity at both  
5   the distribution and transmission levels. Localized energy  
6   generation technology has become increasingly attainable for all  
7   types of renewable energy developers and the electricity  
8   consumer over the past several years. A highly diverse set of  
9   generation resources ranging from large wind projects to simple  
10   residential photovoltaic systems are now primed to deliver  
11   electricity to consumers across the State's isolated island  
12   grids. However, in order to ensure that these types of  
13   generation resources can be integrated into the island grids,  
14   the technical, operational, and regulatory issues associated  
15   with running the electrical system must be considered and  
16   addressed in order to achieve the full potential of local  
17   renewable energy production. The implementation of formal

# LATE TESTIMONY

Page 2

## H.B. NO. 2525 [Proposed HD2]

1 reliability standards to govern all segments of the electric  
2 power system and to ensure fair and transparent grid access is a  
3 critical part of achieving Hawaii's lofty clean energy  
4 requirements. In addition, clear regulatory oversight of the  
5 State's grids will ensure system reliability, resiliency, and  
6 accountability.

7 Reliability standards are formal planning and operating  
8 procedures that govern the design and operation of an electrical  
9 grid or grids to ensure adequate system reliability by  
10 establishing real-time protocols, such as resource and demand  
11 balancing, critical infrastructure protection, and  
12 interconnection reliability. The legislature finds that  
13 electric system planning, operations, and interconnections on  
14 the mainland United States are governed by a well-coordinated  
15 effort headed by the Federal Energy Regulatory Commission and  
16 the North American Electric Reliability Corporation, with help  
17 from a group of subordinate regional oversight entities  
18 ("regional entities"). Under federal commission oversight, the  
19 corporation and the regional entities collectively create and  
20 adopt national and regional reliability standards, administer  
21 related compliance and enforcement programs, and perform other  
22 additional functions as needed to ensure that all entities

## H.B. NO. 2525 [Proposed HD2]

1 operating in connection to the bulk-power system follow  
2 applicable standards. Although Hawaii is not part of the bulk-  
3 power system that links the vast grid regions of North America,  
4 our local electrical system still requires a level of  
5 reliability protocols and oversight provided by a set of local  
6 standards and an accompanying enforcement system that is  
7 commensurate with the State's ambitious renewable energy  
8 mandates.

9       The public utilities commission continues to advance the  
10 development of local grid reliability standards and procedures  
11 via ongoing proceedings connected to Hawaii's feed-in tariff  
12 program and other interconnection-related dockets. The  
13 reliability standards working group is developing proposed  
14 reliability standards tailored to Hawaii's electrical system.  
15 Following commission adoption of reliability standards, a  
16 dedicated body will be required to enforce and oversee  
17 compliance with the standards. However, the legislature finds  
18 the commission's efforts in this area are the result of a lack  
19 of formal, well-developed reliability and interconnection  
20 standards in Hawaii that have been identified as a principal  
21 roadblock for a number of big- and small-scale clean energy  
22 projects. In addition, a number of major government and private

## H.B. NO. 2525 [Proposed HD2]

1 renewable energy projects are currently slated for development  
2 in the near future, including military solar installations  
3 estimated to create hundreds of megawatts of new electricity  
4 generation on Oahu by the middle of this decade, which further  
5 necessitates the adoption of strong, formalized reliability  
6 standards and interconnection requirements. Following the  
7 creation of initial standards, a well-organized, continuing  
8 effort to enforce the adopted standards, propose new or update  
9 existing standards, and oversee grid access will be required.

10 The purpose of this Act is to authorize the public  
11 utilities commission to perform necessary electric system  
12 reliability and grid access oversight functions, and to allow  
13 the commission to contract for the services of a Hawaii  
14 electricity reliability administrator to support the commission  
15 in carrying out those critical functions throughout the State.  
16 In addition, this Act allows for the creation of a surcharge  
17 affecting users and operators of the Hawaii electric system to  
18 be collected for the purpose of maintaining system reliability.

19 SECTION 2. Chapter 269, Hawaii Revised Statutes, is  
20 amended by adding a new part to be appropriately designated and  
21 to read as follows:



1                   **"PART . ELECTRIC RELIABILITY**

2                   **§269-A Definitions.** As used in this part:

3                   "Ancillary services" means those essential grid support  
4 services provided by a facility, or other equipment to support  
5 and ensure the reliable generation, transmission, and  
6 distribution of electricity, including, but not limited to,  
7 frequency response and regulation, inertial response, reactive  
8 power and voltage control, and operating reserves.

9                   "Commission" means the public utilities commission.

10                  "Electric element" means any plant, line, cable, facility,  
11 control system, equipment, or other technology used for the  
12 generation, transmission, distribution, storage, regulation, or  
13 physical control of electricity.

14                  "Hawaii electric system" means all electric elements  
15 located within the State together with all interconnections  
16 located within the State that collectively provide for the  
17 generation, transmission, distribution, storage, regulation, or  
18 physical control of electricity over a geographic area; provided  
19 that this definition shall not include any electric element  
20 operating without any interconnection to any other electric  
21 element located within the State.

1       "Interconnection" means the physical contact point  
2       connecting an electric element to another electric element or  
3       group of electric elements that allows for the flow and transfer  
4       of electricity from one electric element to another or the  
5       reverse.

6       "Interconnection requirement" means a standard or rule,  
7       adopted by the commission under this part, concerning the  
8       performance levels, processes, practices, equipment, or  
9       facilities of any entity either having or seeking to obtain an  
10      interconnection to the Hawaii electric system under procedures  
11      established pursuant to section 269-E to ensure the reliable  
12      operation of the Hawaii electric system.

13      "Reliability standard" means an electric reliability  
14      requirement or requirements, adopted by the commission under  
15      this part, to ensure the reliable design and operation of any or  
16      all portions of the Hawaii electric system, including, but not  
17      limited to, ancillary service requirements.

18      "User, owner, or operator of the Hawaii electric system"  
19      means any person, business, organization, or other entity who:

20           (1) Owns, controls, operates, or manages plants or  
21                facilities for the generation, transmission, or  
22                furnishing of electricity; and

1           (2) Provides, sells, or transmits all of that power,  
2           except such power as is used in its own internal  
3           operations or is used for its own consumption,  
4           directly to a public utility for either transmission  
5           or distribution to the public;  
6 provided that a user, owner, or operator of the Hawaii electric  
7 system shall not be considered a public utility within the  
8 meaning of this chapter.

9           **§269-B Reliability standards; adoption and development;**  
10          **force and effect; interconnection requirements.** (a) The  
11 commission may adopt, by rule or order, reliability standards  
12 and interconnection requirements. Reliability standards and  
13 interconnection requirements adopted by the commission shall  
14 have the full force and effect of law on all electric utilities  
15 and any user, owner, or operator of the Hawaii electric system.  
16 The commission shall not contract for the performance of the  
17 functions under this subsection to any other entity as provided  
18 under section 269-G.

19          (b) The commission may develop reliability standards and  
20 interconnection requirements as it determines necessary or upon  
21 recommendation from any entity, including an entity contracted  
22 by the commission to serve as the Hawaii electricity reliability

# LATE TESTIMONY

Page 8

**H.B. NO. 2525**

[Proposed HD2]

1 administrator provided for under this part, for the continuing  
2 reliable design and operation of the Hawaii electric system.  
3 Any reliability standard or interconnection requirement  
4 developed by the commission shall be adopted by the commission  
5 in accordance with subsection (a) in order to be effective. The  
6 commission shall not contract for the performance of the  
7 functions under this subsection to any other entity as provided  
8 under section 269-G.

9 (c) The commission shall have jurisdiction over matters  
10 concerning interconnection requirements and interconnections  
11 located in the State between electric utilities, any user,  
12 owner, or operator of the Hawaii electric system, or any other  
13 person, business or entity connecting to the Hawaii electric  
14 system or otherwise applying to connect generation or equipment  
15 providing ancillary services to or operate generation and  
16 equipment providing ancillary services in parallel with the  
17 Hawaii electric system under processes established in accordance  
18 with section 269-E. Nothing in this subsection is intended to  
19 give the commission general supervision authority over any user,  
20 owner, or operator of the Hawaii electric system or any other  
21 person, business, or entity that is not a utility as defined in  
22 section 269-1.

# LATE TESTIMONY

Page 9

## H.B. NO. 2525

[Proposed HD2]

1       **§269-C Monitoring.** (a) The commission shall have the  
2 authority to monitor the reliability and operation of the Hawaii  
3 electric system using any data, files, maps, reports, or any  
4 other information concerning any electric utility, any user,  
5 owner, or operator of the Hawaii electric system, or any other  
6 person, business or entity connecting to the Hawaii electric  
7 system, considered by the commission to be necessary for  
8 ensuring the reliable operation of the Hawaii electric system.  
9 The authority of the commission to monitor information in this  
10 section shall include, but not be limited to, the authority to  
11 request, acquire, or otherwise accumulate real-time data on any  
12 matter the commission deems necessary to monitor the reliable  
13 design and operation of the Hawaii electric system.

14       (b) The commission shall have the authority to monitor  
15 and compel the production of data, files, maps, reports, or any  
16 other information concerning any electric utility, any user,  
17 owner, or operator of the Hawaii electric system, or other  
18 person, business, or entity, considered by the commission to be  
19 necessary for exercising jurisdiction over interconnection to  
20 the Hawaii electric system, or for administering the process for  
21 interconnection to the Hawaii electric system under section 269-  
22 E.

## H.B. NO. 2525

[Proposed HD2]

1           (c) Any and all data, files, maps, reports, or any other  
2 information the commission requests under subsection (a) and  
3 subsection (b) above shall be produced in a timely manner. The  
4 commission may institute proceedings in accordance with section  
5 269-15 upon a determination that any party for or on behalf of  
6 an electric utility, any other user, owner, or operator of the  
7 Hawaii electric system, or other person, business or entity, has  
8 refused to provide or is causing unreasonable delay in providing  
9 information requested under this section.

10           **§269-D Compliance and enforcement.** (a) The commission  
11 shall take all necessary steps, including, but not limited to  
12 audits, spot checks, data requests, report requests, and  
13 internal monitoring procedures, to ensure that any electric  
14 utility, any user, owner, or operator of the Hawaii electric  
15 system, or any other person, business or entity connecting to  
16 the Hawaii electric system is in compliance with all adopted  
17 reliability standards and interconnection requirements as  
18 appropriate.

19           (b) The commission may impose reasonable penalties on any  
20 user, owner, or operator of the Hawaii electric system, or any  
21 other person, business or entity connecting to the Hawaii  
22 electric system acting in violation of an adopted reliability

## H.B. NO. 2525 [Proposed HD2]

1 standard after notice as provided under section 269-12 and an  
2 opportunity for a proceeding under section 269-15 has been  
3 given. The commission shall adopt rules pursuant to chapter 91  
4 for the issuance of any penalty under this section. In adopting  
5 rules, the commission may make provisions for the Hawaii  
6 electric reliability administrator to recommend penalties and  
7 enforcement to the commission.

8       **§269-E Grid access; procedures for interconnection;**  
9       **dispute resolution.** (a) Each user, owner, or operator of the  
10 Hawaii electric system, or any other person, business or entity  
11 seeking to make an interconnection on the Hawaii electric system  
12 shall do so in accordance with procedures to be established by  
13 the commission by rule or order.

14       (b) The commission shall have the authority to make final  
15 determinations regarding any dispute between any user, owner, or  
16 operator of the Hawaii electric system, or any other person,  
17 business or entity connecting to the Hawaii electric system,  
18 concerning either an existing interconnection on the Hawaii  
19 electric system or an interconnection to the Hawaii electric  
20 system created under the processes established by the commission  
21 under this section.

1       **§269-F Hawaii electricity reliability surcharge;**  
2   **authorization; cost recovery.** (a) The commission may require,  
3   by rule or order, that all utilities, persons, businesses, or  
4   entities connecting to the Hawaii electric system, or any other  
5   user, owner, or operator of any electric element that is a part  
6   of an interconnection on the Hawaii electric system shall pay a  
7   surcharge that shall be collected by Hawaii's electric  
8   utilities. The commission shall not contract or otherwise  
9   delegate the ability to create the Hawaii electricity  
10   reliability surcharge under this section to any other entity.  
11   This surcharge amount shall be known as the Hawaii electricity  
12   reliability surcharge.

13       (b) Amounts collected through the Hawaii electricity  
14   reliability surcharge shall be transferred in whole or in part  
15   to any entity contracted by the commission to act as the Hawaii  
16   electricity reliability administrator provided for under this  
17   part.

18       (c) The Hawaii electricity reliability surcharge shall be  
19   used for the purposes of ensuring the reliable operation of the  
20   Hawaii electric system and overseeing grid access on the Hawaii  
21   electric system through the activities of the Hawaii electricity  
22   reliability administrator contracted under section 269-G;



## H.B. NO. 2525

[Proposed HD2]

1 provided that amounts collected under the Hawaii electricity  
2 reliability surcharge shall not be available to meet any current  
3 or past general obligations of the State.

4 (d) The commission may allow a utility to recover  
5 appropriate and reasonable costs under the Hawaii electricity  
6 reliability surcharge for any interconnection to the Hawaii  
7 electric system, including but not limited to interconnection  
8 studies and other analysis associated with studying the impact  
9 of necessary infrastructure and operational requirements needed  
10 to reliably interconnect a generator, as well as from electric  
11 utility customers through a surcharge or assessment subject to  
12 review and approval by the commission under section 269-16.

13 (e) Nothing in this section shall create or be construed  
14 to cause amounts collected through the Hawaii electricity  
15 reliability surcharge to be considered state or public moneys  
16 subject to appropriation by the legislature or be required to be  
17 deposited into the state treasury.

18 **§269-G Hawaii electricity reliability administrator;**  
19 **contracting.** (a) The commission may contract for the  
20 performance of its functions under this part to a person,  
21 business, or organization that will serve as the Hawaii  
22 electricity reliability administrator provided for under this

1 part, but excluding any utility as defined under this chapter;  
2 provided that the commission shall not contract for the  
3 performance of its functions under sections 269-B(a) and (b) and  
4 269-F. The commission shall select an entity with which to  
5 contract for the performance of its functions in accordance with  
6 state law, including contracting in compliance with chapter  
7 103D.

8 (b) Any entity contracted by the commission to serve as  
9 the Hawaii electricity reliability administrator under this  
10 section must be selected by the commission in accordance with  
11 state law, including chapter 103D. The Hawaii electricity  
12 reliability administrator shall, if so enabled by the commission  
13 through mutual agreement under the laws of the State of Hawaii,  
14 hold the powers and rights delegated by the commission under  
15 this part for the term of the executed contract; provided that  
16 the commission shall retain both full authority over the Hawaii  
17 electricity reliability administrator and the exclusive  
18 authority to carry out functions and responsibilities enumerated  
19 under sections 269-B(a) and (b) and 269-F.

20 **§269-H Hawaii electricity reliability administrator;**  
21 **qualifications.** Any entity contracted by the commission to  
22 serve as the Hawaii electricity reliability administrator shall:

## H.B. NO. 2525

[Proposed HD2]

- 1       (1) Satisfy the qualification requirements established by
- 2           the commission by rule or order;
- 3       (2) Maintain the reasonable and necessary staffing with
- 4           the appropriate skills and expertise to offer prudent
- 5           and reasonable recommendations on the development of
- 6           reliability standards and interconnection requirements
- 7           adopted by the commission under this part, including
- 8           the technical skills required to properly monitor
- 9           operations of the Hawaii electric system using
- 10          information provided under section 269-C; and
- 11       (3) Maintain the reasonable and necessary staffing with
- 12           the appropriate level of independence to fairly and
- 13           impartially review matters concerning interconnection
- 14           to the Hawaii electric system under section 269-E,
- 15           including independence of the entity from any electric
- 16           utility, any user, owner, or operator of the Hawaii
- 17           electric system, or any other person, business or
- 18           entity connecting to the Hawaii electric system.

19       **§269-I Funding; reporting.** (a) The Hawaii electricity  
20 reliability administrator shall use funds collected through the  
21 Hawaii electricity reliability surcharge provided for under  
22 section 269-F to carry out its operations, including any and all

## H.B. NO. 2525

[Proposed HD2]

1 administrative, technological, or other related requirements for  
2 effectively ensuring the reliability of the Hawaii electric  
3 system.

4 (b) The Hawaii electricity reliability administrator shall  
5 report to the commission each year on the date of agreement  
6 under section 269-G following the original contracting between  
7 the Hawaii electricity reliability administrator and the  
8 commission the status of its operations, its financial position,  
9 and a projected operational budget for the fiscal year following  
10 the date of the report.

11 (c) The Hawaii electricity reliability administrator shall  
12 be subject to regulation by the commission under any provision  
13 applicable to a public utility in sections 269-7, 269-8, 269-  
14 8.2, 269-8.5, 269-9, 269-10, 269-13, 269-15, 269-19.5, and 269-  
15 28. Notwithstanding any other provision of law to the contrary,  
16 the Hawaii electricity reliability administrator shall not be an  
17 electric public utility or an electric public utility  
18 affiliate."

19 SECTION 3. Section 269-1, Hawaii Revised Statutes, is  
20 amended by amending the definition of "public utility" to read  
21 as follows:

22 ""Public utility":

## H.B. NO. 2525

[Proposed HD2]

1           (1) Includes every person who may own, control, operate,  
2                   or manage as owner, lessee, trustee, receiver, or  
3                   otherwise, whether under a franchise, charter,  
4                   license, articles of association, or otherwise, any  
5                   plant or equipment, or any part thereof, directly or  
6                   indirectly for public use for the transportation of  
7                   passengers or freight; for the conveyance or  
8                   transmission of telecommunications messages; for the  
9                   furnishing of facilities for the transmission of  
10                  intelligence by electricity within the State or  
11                  between points within the State by land, water, or  
12                  air; for the production, conveyance, transmission,  
13                  delivery, or furnishing of light, power, heat, cold,  
14                  water, gas, or oil; for the storage or warehousing of  
15                  goods; or for the disposal of sewage; provided that  
16                  the term shall include:

17                (A) An owner or operator of a private sewer company  
18                       or sewer facility; and

19                (B) A telecommunications carrier or  
20                       telecommunications common carrier; and

21           (2) Shall not include:

# LATE TESTIMONY

Page 18

## H.B. NO. 2525

[Proposed HD2]

1 (A) An owner or operator of an aerial transportation  
2 enterprise;

3 (B) An owner or operator of a taxicab as defined in  
4 this section;

5 (C) Common carriers that transport only freight on  
6 the public highways, unless operating within  
7 localities, along routes, or between points that  
8 the public utilities commission finds to be  
9 inadequately serviced without regulation under  
10 this chapter;

11 (D) Persons engaged in the business of warehousing or  
12 storage unless the commission finds that  
13 regulation is necessary in the public interest;

14 (E) A carrier by water to the extent that the carrier  
15 enters into private contracts for towage,  
16 salvage, hauling, or carriage between points  
17 within the State; provided that the towing,  
18 salvage, hauling, or carriage is not pursuant to  
19 either an established schedule or an undertaking  
20 to perform carriage services on behalf of the  
21 public generally;

# LATE TESTIMONY

Page 19

## H.B. NO. 2525

[Proposed HD2]

1 (F) A carrier by water, substantially engaged in  
2 interstate or foreign commerce, that transports  
3 passengers on luxury cruises between points  
4 within the State or on luxury round-trip cruises  
5 returning to the point of departure;

6 (G) ~~[Any person who:~~

7 ~~(i) Controls, operates, or manages plants or~~  
8 ~~facilities for the production, transmission,~~  
9 ~~or furnishing of power primarily or entirely~~  
10 ~~from nonfossil fuel sources; and~~

11 ~~(ii) Provides, sells, or transmits all of that~~  
12 ~~power, except as is used in its own internal~~  
13 ~~operations, directly to a public utility for~~  
14 ~~transmission to the public;]~~ Any user, owner  
15 or operator of the Hawaii electric system as  
16 defined under section 269-A;

17 (H) A telecommunications provider only to the extent  
18 determined by the public utilities commission  
19 pursuant to section 269-16.9;

20 (I) Any person who controls, operates, or manages  
21 plants or facilities developed pursuant to  
22 chapter 167 for conveying, distributing, and

## H.B. NO. 2525

[Proposed HD2]

transmitting water for irrigation and other  
purposes for public use and purpose;

(J) Any person who owns, controls, operates, or  
manages plants or facilities for the reclamation  
of wastewater; provided that:

(i) The services of the facility are provided  
pursuant to a service contract between the  
person and a state or county agency and at  
least ten per cent of the wastewater  
processed is used directly by the state or  
county agency that entered into the service  
contract;

(ii) The primary function of the facility is the  
processing of secondary treated wastewater  
that has been produced by a municipal  
wastewater treatment facility owned by a  
state or county agency;

(iii) The facility does not make sales of water to  
residential customers;

(iv) The facility may distribute and sell  
recycled or reclaimed water to entities not  
covered by a state or county service



# LATE TESTIMONY

Page 21

## H.B. NO. 2525

[Proposed HD2]

1 contract; provided that, in the absence of  
2 regulatory oversight and direct competition,  
3 the distribution and sale of recycled or  
4 reclaimed water shall be voluntary and its  
5 pricing fair and reasonable. For purposes  
6 of this subparagraph, "recycled water" and  
7 "reclaimed water" means treated wastewater  
8 that by design is intended or used for a  
9 beneficial purpose; and

10 (v) The facility is not engaged, either directly  
11 or indirectly, in the processing of food  
12 wastes;

13 (K) Any person who owns, controls, operates, or  
14 manages any seawater air conditioning district  
15 cooling project; provided that at least fifty per  
16 cent of the energy required for the seawater air  
17 conditioning district cooling system is provided  
18 by a renewable energy resource, such as cold,  
19 deep seawater;

20 (L) Any person who owns, controls, operates, or  
21 manages plants or facilities primarily used to

## H.B. NO. 2525

[Proposed HD2]

1 charge or discharge a vehicle battery that  
2 provides power for vehicle propulsion; and

3 (M) Any person who:

4 (i) Owns, controls, operates, or manages a  
5 renewable energy system that is located on a  
6 customer's property; and

7 (ii) Provides, sells, or transmits the power  
8 generated from that renewable energy system  
9 to an electric utility or to the customer on  
10 whose property the renewable energy system  
11 is located; provided that, for purposes of  
12 this ~~[clause,~~ subparagraph, a customer's  
13 property shall include all contiguous  
14 property owned or leased by the customer  
15 without regard to interruptions in  
16 contiguity caused by easements, public  
17 thoroughfares, transportation rights-of-way,  
18 and utility rights-of-way.

19 If the application of this chapter is ordered by the  
20 commission in any case provided in ~~[paragraphs (2)(C), (2)(D),~~  
21 ~~(2)(H), and (2)(I),]~~ subparagraphs (C), (D), (H), and (I), the  
22 business of any public utility that presents evidence of bona

## H.B. NO. 2525

[Proposed HD2]

1    fide operation on the date of the commencement of the  
2    proceedings resulting in the order shall be presumed to be  
3    necessary to the public convenience and necessity, but any  
4    certificate issued under this proviso shall nevertheless be  
5    subject to terms and conditions as the public utilities  
6    commission may prescribe, as provided in sections 269-16.9 and  
7    269-20."

8            SECTION 4. Statutory material to be repealed is bracketed  
9    and stricken. New statutory material is underscored.

10           SECTION 5. In codifying the new part and sections added to  
11    chapter 269, Hawaii Revised Statutes, by section 2 of this Act,  
12    the revisor of statutes shall substitute appropriate section  
13    numbers for the letters used in designating and referring to the  
14    new sections in this Act.

15           SECTION 6. This Act shall take effect on July 1, 2012.

## H.B. NO. 2525

[Proposed HD2]

**Report Title:**

Electric Reliability Standards; Interconnection Requirements;  
Grid Interconnection; Hawaii Electricity Reliability  
Administrator; Hawaii Electricity Reliability Surcharge

**Description:**

Authorizes the Public Utilities Commission to develop, adopt, and enforce reliability standards and interconnection requirements for the Hawaii electric system, and to oversee electric grid access; authorizes the Public Utilities Commission to contract for the performance of related duties with a party to be named the Hawaii Electricity Reliability Administrator. Effective July 1, 2012. (HB2525 HD2)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*



# LATE TESTIMONY

EXECUTIVE CHAMBERS

HONOLULU

NEIL ABERCROMBIE  
GOVERNOR

Testimony HB 2525  
Relating to Electricity

Governor Neil Abercrombie

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Representative Robert N. Herkes, Chair  
Representative Ryan I. Yamane, Vice Chair

February 8, 2012  
2:00 pm, Room 325

Chair Herkes, Vice Chair Yamane, and members of the Consumer Protection & Commerce Committee, thank you for hearing HB 2525 Relating to Electricity. I respectfully request your support of this important measure.

This measure would allow the Public Utilities Commission (PUC) to develop and enforce local electric reliability standards and to oversee access to the grid. To ensure that the PUC has accurate and dependable information, this bill allows the PUC to contract with the Hawaii Electricity Reliability Administrator.

Currently, there are no clear rules for reliability and interconnection. This ambiguity has been identified as a principal roadblock for big and small scale renewable energy projects. By giving this authority to the PUC and adopting clear standards that will be enforced, Hawaii will be better equipped to meet its renewable energy goals and plan for a clean energy future.

Reducing our dependence on imported oil remains a priority of this administration and will be a cornerstone of Hawaii's economy for generations.

Thank you again for consideration of this measure.

# LATE TESTIMONY



## LIFE OF THE LAND

76 North King Street, Suite 203

Honolulu, Hawai'i 96817

Phone: 533-3454; E: [henry.lifeoftheland@gmail.com](mailto:henry.lifeoftheland@gmail.com)

### **COMMITTEE ON CONSUMER PROTECTION & COMMERCE**

Rep. Robert N. Herkes, Chair

Rep. Ryan I. Yamane, Vice Chair

DATE: Wednesday, February 8, 2012

TIME: 2:00 pm

PLACE: Conference Room 325

BILL: HB 2525\_HD1 Reliability Standards

### **SUPPORT**

Aloha Chair Herkes, Vice Chair Yamane, and Members of the Committee

My name is Henry Curtis and I am the Executive Director of Life of the Land, Hawai'i's own energy, environmental and community action group advocating for the people and `aina for four decades. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

HB 2525\_HD1 authorizes the Public Utilities Commission to develop, adopt, and enforce reliability standards for electric systems, and to oversee electric grid access; authorizes the Public Utilities Commission to contract for the performance of related duties with a party to be named the Hawaii Electricity Reliability Administrator.

We are in general support of the bill but we find a few things troubling about the bill.

Energy regulation is confusing enough without self-contradictory definitions:

# LATE TESTIMONY

"Section 269-1, Hawaii Revised Statutes, is amended by amending the definition of "public utility" to read as follows ...

***Public utility ...includes every person who may own, control, operate ...any plant or equipment ...directly or indirectly for public use ... for furnishing of light, power ...Shall not include ...any user, owner, or operator of the Hawaii electric system. ...[which] means all electric elements (plant, line, cable, facility, control system, equipment, or other technology) ...that collectively provide for the generation, transmission, distribution, storage, regulation, or physical control of electricity"***

The preamble states: "a number of technical, operational, and regulatory issues concerning Hawaii's long-running electrical system are stifling the full potential of local renewable energy production."

The electric grid in the County of Hawai'i has a renewable energy penetration level of 30%. The electric grid in the City and County of Honolulu has a renewable energy penetration level of only 5%. The O'ahu grid is stronger and more interconnected than the Hawai'i grid. Both are run by the HECO Companies. Both are run under the same regulatory structure. So what prevents adding 300 MW of renewables to the O'ahu grid?

The University of Hawai'i (UH) Hawai'i Natural Energy Institute (HNEI) has published a study indicating O'ahu can add twice that amount – 600 MW – to the grid.

The full potential must be being blocked by something else.

The preamble states: "With a recent blackout affecting millions of people throughout the southwestern United States and northern Mexico, the need for solid reliability standards and accompanying grid oversight of modern electrical systems is readily apparent."

The September 2011 blackout occurred in California, Arizona and Mexico. These states have "solid reliability standards" overseen by an electric reliability council. This hardly is a reason why we, without such standards, should adopt them.

The preamble states: "Localized energy generation technology has become increasingly attainable for all types of renewable energy developers and the electricity consumer over the past several years."

We agree, and note that a highly localized, decentralized and distributed

# LATE TESTIMONY

network would not require a grid. It could be dismantled.

The reason for establishing an electric reliability administrator is because we, as a State – have decided upon a particular future involving costly centralized power systems – without the community debate over the comparative cost, impacts, and reliability of centralized versus decentralized grids. We have chosen the system that rewards large rich multinationals without determining if it is in the public interest.

Mahalo